

Office of the City Auditor City of San Diego

Performance Audit of the City Treasurer's Investments Division

Audit Committee Meeting, May 10, 2010



Introduction

- The audit of the City Treasurer's Investments Division is included in the Fiscal Year 2010 City Auditor Work Plan
- During this review we found that internal controls have been implemented, but the City Treasurer can strengthen controls associated with the City's Investments Advisory Committee (IAC) and the process of updating changes to the City Treasurer's Investment Policy for Pooled Investment Funds.

Background

- The City's cash and investments are significant public assets which require continuous oversight and management.
- As of June 2009, the City Treasurer is responsible for managing approximately \$2 billion in pooled investment assets.
- The California Government Code provides the legislative guidance for the general roles, responsibilities and function of the Investments Division, including the creation of an investment policy.

Objectives

The objectives were to review the following:

1. Adequacy of the Investment Policy and its alignment with City investments and fiscal strategies of the City.
2. Accuracy and completeness of reporting of City pooled investments.
3. Existence and adequacy of internal controls related to the management of City pooled investments.
4. Appropriate qualifications of personnel involved in the investment process.
5. Adequacy of the Request for Proposal selection process for banking and investment custodian services.
6. Adequacy and effectiveness of the oversight related to pooled investments.

Scope & Methodology

- We limited the scope of our review to investments from fiscal years 2007 through 2009, unless noted otherwise.
- We reviewed pertinent laws, policies and regulations; analyzed financial data and management reports; reviewed current processes; and, interviewed management and key staff.
- Audit conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS).

Summary of Findings

- The City Treasurer has internal controls in place to mitigate risks associated with pooled investments.
- The IAC does not have a formalized charter or similar document to identify its roles and responsibilities.
- Some consensus recommendations have not been formally incorporated into the City's Investment Policy or comparable governance documentation.
- The Investments Division did not properly incorporate certain approved changes into the Investments Policy between the 2006 and 2007 annual update and approval process.

Recommendations

- The City Treasurer should finalize and implement a charter or comparable controlling document for the Investment Advisory Committee.
- The City Treasurer should review and update the Investment Policy for inclusion of the identified consensus recommendations.
- The City Treasurer should formally document a written procedure for processing complete and accurate annual updates for the Investment Policy.